

Income Tax Convention

The Chairman: Shall the schedule carry?

Mr. Macnaughton: There are a few more short questions. With respect to article III of the schedule. In the tax agreement with Ireland only the word "profits" was used. In the agreement with Denmark the words "industrial profits and commercial profits" were used. I presume the word "profits" is wide enough to cover investment profits too.

Mr. Fleming (Eglinton): The provision the article makes that Belgian enterprises will be taxed in Canada only with respect to industrial or commercial profits applies to the extent that they are attributable to their permanent establishment in Canada. I may say that the same rule applies reciprocally with respect to the industrial and commercial profits of Canadian enterprises in Belgium.

This point was raised with regard to another of these international conventions a couple of years ago and the answer which I was given at the time and which I take to be correct now was that the expression "industrial or commercial profits" is wide enough to include profits from investment if they are yielded in the course of the ordinary commercial activities of the company.

Mr. Macnaughton: Under article VI I believe that the rate of tax on a Belgian receiving dividends, etc. from Canada is 15 per cent. If you look at article VI, paragraph 3, it speaks of the Belgian tax on royalties. Can the minister give us any indication as to what the rate of tax is?

Mr. Fleming (Eglinton): The rate of tax to which Belgium binds itself in paragraph 3 of this article is 18 per cent of the net royalties which will in most cases be less than the 15 per cent of the gross royalties imposed under our law.

Mr. Macnaughton: In article IX, paragraph 2 (b) the sum of \$3,000 is mentioned. I notice that is a reduction from the amount of \$5,000 in the agreements we have with Germany and Ireland. Is there any reason for the reduction from \$5,000 to \$3,000?

Mr. Fleming (Eglinton): My understanding is that was the amount that both parties desired.

Mr. Macnaughton: With regard to paragraph 4 of the same article, I understand that an artist or athlete performing in Belgium pays no tax if he is there on a temporary basis.

Mr. Fleming (Eglinton): Is my hon. friend speaking about the Belgian tax?

Mr. Macnaughton: Yes.

Mr. Fleming (Eglinton): I would not wish to speak positively on that point.

Mr. Macnaughton: With regard to article XVII I note that when the minister was on this side of the house he had certain objections to the provision that the two contracting states may prescribe regulations. He wanted the regulations spelled out. Has he now changed his mind?

Mr. Fleming (Eglinton): I am afraid that the minister has been obliged to accept a practice that has become largely standardized and has been approved by parliament before. The minister, being always obedient and respectful towards parliament, has accepted the practice that parliament has well established now.

Mr. Macnaughton: Article XIV speaks of the exchange of information between the contracting states. Would the minister care to give a short explanation of that? It seems to me that we should limit it to a certain degree.

Mr. Fleming (Eglinton): Quite so. Article XIV provides that the exchange of information is restricted to that which is necessary for the carrying out of the convention or for the prevention of fraud or avoidance of taxation. No information is to be exchanged which will disclose any trade secrets or trade process or which is deemed to be against public policy.

Mr. Macnaughton: The words "professional secret" are used in the same article. What would that refer to?

Mr. Fleming (Eglinton): I think my friend and I would have no difficulty in determining what are professional secrets with respect to professions. There are so many things that are professional secrets.

Mr. Macnaughton: I understand that this would not necessarily refer to legal professional secrets but in effect to trade secrets.

Mr. Fleming (Eglinton): In the explanation I gave I said that the information to be exchanged would not include trade secrets or trade processes.

Mr. Macnaughton: With regard to article XX, if the instruments of ratification are exchanged this year will deductions at the source start on January 1 next year and in the case of any other taxes will they begin as soon as the agreement comes into force?

Mr. Fleming (Eglinton): That would be my understanding.

Schedule agreed to.

Clauses 2 to 5 inclusive agreed to.

Title agreed to.

Bill reported.